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FM AMEMBASSY ZAGREB  
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SUBJECT: GOC SOLVES RETURNEE HOUSING DISPUTES

Sensitive But Unclassified. Please Handle Accordingly.

11. (SBU) Summary and Comment. A December 7 Government meeting approved a resolution "process" for temporary occupants of refugee homes who made unsolicited investments to the properties and are seeking compensation from the refugee owners. Along with the OSCE, UNHCR, and EU, Post has pressed the GOC for a workable resolution for over a year in its monthly meetings on refugee issues; the OSCE helped draft the decision, which includes an out-of-court settlement process. This is a positive indication of the GOC's desire to make progress on the refugee portfolio. The achievement follows the GOC's appointment of new Assistant Minister for Refugee and Returnee Issues Milivoj Mikulic, who so far is activist and collaborative both within the GOC and with the international community (IC). Mikulic, an engineer by background, has been charged with turning the lethargic returnee housing plan into concrete reality. One month into the job, his leadership has already changed the tenor of the GOC-IC relationship and shown results. End Summary and Comment.

12. (U) The resolution commits the GOC to compensate temporary users for investments they made to refugee homes while they occupied those properties. While there are presently a small number of applicable cases (currently 24 in the court system), the problem drew the attention and ire of the international community because of several egregious cases. In one such case, the GOC allowed a temporary (Croatian) occupant to take over a home belonging to an ethnic Serb in Korenica in 1996; the temporary occupant turned it into a successful pizzeria and operated it until 2005. After an eight-year judicial process, the refugee won the right to repossess his home. However, the temporary occupant sued the owner for the 30,000 euros she invested in the property, and the court ordered the payment. Since the owner could not pay the amount, the house was scheduled for auction. As of December, the auction has been postponed due to political and international pressure. At least two such auctions were scheduled in other cases. In some of the 24 cases, investments were made to convert homes into businesses, in others they were made in order to make the home habitable after war devastation. In all cases, however, the investments were made without the owners' consent.

13. (U) According to the plan, the GOC will sign an out-of-court settlement with the user and the owner for expenses incurred in order to make the home habitable (Note: not for all investments to the property). By signing the settlement the user renounces any further claims for reimbursement. If a user refuses the settlement, the GOC will take over the claims process, releasing the owner from further involvement. The case would proceed through the courts, and the State Prosecutor would request GOC compensation as determined through a final court verdict. While not specifically addressed in the GOC decision, we expect that the GOC will actively approach the remaining claimants and offer a financial settlement even before a final court decision. The GOC may incur significant costs, although the full extent is undetermined.

14. (SBU) In its monthly meetings at both the working and ministerial level, Post, OSCE, UNHCR and the EU have pressed for a resolution to the problem for over a year. Together in late 2005, the four members of the IC put forward a proposal which was tabled within the Ministry of Sea, Trade, Transport and Development and thwarted by state prosecutors who believed that owners would unduly benefit. Recently, however, aggressive lobbying by the IC reaped results with its approval earlier this month. The approval coincided - we believe not coincidentally - with the appointment of Mikulic, who pushed hard to ensure that the Council signed off on the decision. Tapped by PM Sanader, Mikulic told us he has been tasked with achieving results on the refugee portfolio, most specifically on the housing program for former tenancy rights holders. A civil engineer by profession, he previously worked for U.S. firm Bechtel and appears to be practical and goal-oriented. In our December working group meeting, he told us that the GOC will increase the pace of apartment allocation in 2007 (to be reported septel).

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